


CANADIAN GENERAL INVESTMENTS LIMITED

1976

Annual Report

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CANADIAN GENERAL INVESTMENTS LIMITED

Board of Directors

RALPH M. BARFORD

M. C. G. MEIGHEN, O.B.E.

JOHN D. BARRINGTON

T. R. MEIGHEN, Q.C.

ALEX E. BARRON

JOHN C. RYKERT

DAVID L. CAMPBELL

J. ALLYN TAYLOR

DOUGLAS N. KENDALL

DONALD C. WEBSTER

A. BRUCE MATTHEWS, C.B.E., D.S.O.

PATRICK O. G. WRIGHT

Officers

M. C. G. MEIGHEN, O.B.E. - - - - - Chairman of the Board

ALEX E. BARRON - - - - - President

JOHN C. RYKERT - - - - - Treasurer

E. LOUISE MORGAN - - - - - Secretary

PATRICK O. G. WRIGHT - - - - - Assistant Treasurer

Auditors

PRICE WATERHOUSE & CO. - - - - - Toronto

Registrar and Transfer Agent

THE CANADA TRUST COMPANY - - - - - Toronto

Office of Company

110 YONGE STREET, SUITE 1702, M5C 1T4 (Telephone 416-366-2931) Toronto

CANADIAN GENERAL INVESTMENTS LIMITED

To The Shareholders:

Your Directors have pleasure in submitting the Annual Report of your Company for the year ended December 31, 1976 consisting of the Consolidated Balance Sheet and Consolidated Statements of Income, Retained Earnings, Unrealized Gain on Investments, and Changes in Net Assets.

The Balance Sheet discloses that the total consolidated assets of the Company as at December 31, 1976 amounted to \$115,291,069. From this amount is deducted accrued liabilities, income taxes payable, deferred income taxes, and minority interest which leaves a net value of \$111,443,621. Based on 3,843,764 common shares outstanding as at December 31, 1976, each common share had an apparent equity value of approximately \$28.99. It should be noted that while \$3.6 million in deferred income taxes was deducted from consolidated assets in calculating the equity value per share, the \$3.6 million continues to work for the benefit of the shareholders. Such will be the case until future realization of capital gains necessitates part or all of these deferred taxes to be paid to the government.

The Consolidated Statement of Income discloses that your Company, after paying all expenses and providing for the minority interest, had a net income for the year of \$4,351,033. This is equivalent to \$1.13 for each of the outstanding common shares.

During 1976, shareholders received dividends of \$1.05 per share. This is the first time since 1953 that our shareholders have received a smaller dividend than the previous year. The Directors were obliged to lower the dividend to comply with the regulations of the Anti-Inflation Act. These dividends were paid out of the Company's December 31, 1971 surplus accounts and are not subject to income tax in the hands of the shareholder. Such dividends, however, do reduce the adjusted cost base of your shares and this in turn could affect the taxable capital gain or loss resulting from any future sale of such shares.

A schedule showing the percentages of the dividends paid out of tax-paid undistributed surplus on hand and 1971 capital surplus on hand is set out below. This information is submitted for the benefit of Canadian Corporations which are shareholders of the Company.

<u>1976</u>												<u>Tax-Paid Undistributed Surplus on Hand</u>	<u>1971 Capital Surplus on Hand</u>
March	15	-	-	-	-	-	-	-	-	-	-	1.1%	98.9%
June	15	-	-	-	-	-	-	-	-	-	-	.1	99.9
September	15	-	-	-	-	-	-	-	-	-	-	.5	99.5
December	15	-	-	-	-	-	-	-	-	-	-	.2	99.8

Your Directors have decided, for tax purposes, to continue paying dividends out of the Company's December 31, 1971 Surplus Accounts. A dividend in the amount of \$0.25 per common share, tax-deferred in the hands of the shareholders, has been declared payable March 15, 1977 to shareholders of record February 28, 1977.

For the first time Canadian General Investments Limited holds a significant portion of its assets in United States securities. The shares of these companies are all listed on the New York Stock Exchange and the companies are all leaders in their respective industries. A brief description of our U.S. investments follows:

AVCO CORPORATION

Avco Corporation's diversified activities fall within two major areas. Its financial services activities include consumer credit (Avco Finance) and insurance (The Paul Revere Companies). The development and manufacture of aerostructures, turbine and reciprocal aero engines is the other business area. For the fiscal year ended November 30, 1975 services revenues and sales equalled \$1,274,714,000. Net earnings were \$60,835,000 or \$3.87 per common share.

HALLIBURTON COMPANY

Halliburton Company offers on a world wide basis specialized services to the petroleum production industry. The construction division engineers and constructs power and processing plants. During the year ended December 31, 1975 revenues were \$4,209,601,733 and net profits \$222,512,413 or \$3.84 per share.

JOY MANUFACTURING

Joy Manufacturing Company is a large manufacturer of industrial capital goods primarily for the coal mining industry. For the fiscal year ended September 1976 Mining Systems Equipment contributed 55% of revenue, the balance being made up of Industrial & General Products 20%—Ore Processing and Petroleum Equipment 14%—and Air Pollution Control Equipment 11%. Total Corporation revenues for the year ended September 1976 were \$630,509,000 which resulted in net profits of \$47,601,000 or \$3.94 per common share, which represented an increase of 27% over fiscal 1975.

TEKTRONIX INC.

Tektronix Inc. is the world's largest maker of cathode ray tube oscilloscopes. The Company manufactures more than 500 electronic instruments for display, measurement, and control functions. The fiscal year ended May 1976 produced revenues of \$366,645,000 and profits of \$30,089,000 or \$3.43 per share.

The portfolio of investments as at December 31, 1976 is to be found on pages 10 and 11 of this report. A complete list of the securities held by C.G.I. and Third Venture Capital Limited is shown on the last page of this report.

Submitted on behalf of the Board.

M. C. G. Meighen

Chairman of the Board

Alex E. Bann

President

TORONTO, January 27, 1977.

C A N A D I A N G E N E R A L

Consolidated Balance Sheet

(Note 1)

<i>Assets</i>	December 31	
	1976	1975
Investments at indicated market value (Note 2)		
Securities having a quoted market value - - - - -	\$105,731,110	\$110,143,541
Securities not having a quoted market value - - - - -	6,889,849	7,059,341
	<u>112,620,959</u>	<u>117,202,882</u>
(Cost as at—		
December 31, 1976—\$55,715,457		
December 31, 1975—\$53,696,711)		
Short-term investments, at cost plus accrued interest		
(including in 1976 \$1,539,409 in U.S. Funds) - - - - -	2,495,466	175,420
Dividends, interest and notes receivable - - - - -	146,605	93,694
Cash in bank - - - - -	28,039	106,736
	<u>\$115,291,069</u>	<u>\$117,578,732</u>
<i>Liabilities and Shareholders' Equity</i>		
Accrued liabilities - - - - -	\$ 7,010	\$ 6,450
Income taxes payable - - - - -	148,650	13,643
Deferred income taxes (Note 4 (ii)) - - - - -	3,603,750	3,317,306
Minority interest in subsidiary - - - - -	88,038	89,005
Shareholders' equity		
Capital stock		
Authorized—		
4,000,000 common shares without par value		
Issued and outstanding—		
3,843,764 common shares - - - - -	24,023,525	24,023,525
Unrealized gain on investments - - - - -	53,285,630	60,169,645
Retained earnings - - - - -	34,134,466	29,959,158
	<u>111,443,621</u>	<u>114,152,328</u>
	<u>\$115,291,069</u>	<u>\$117,578,732</u>

APPROVED BY THE BOARD:

M. C. G. MEIGHEN, *Director*

J. D. BARRINGTON, *Director*

Auditors' Report to the Shareholders of
CANADIAN GENERAL INVESTMENTS LIMITED:

We have examined the consolidated balance sheet of Canadian General Investments Limited as at December 31, 1976 and the consolidated statements of income, retained earnings, unrealized gain on investments and changes in net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1976 and the results of its operations and the changes in its net assets for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

As part of our tests referred to in the first paragraph above, we examined share certificates and other evidence supporting the investments held by the Company as at December 31, 1976.

TORONTO, January 17, 1977

PRICE WATERHOUSE & CO.
Chartered Accountants

I N V E S T M E N T S L I M I T E D

Consolidated Statement of Income

		Year ended December 31	
		1976	1975
Income:			
Dividends	- - - - -	\$ 4,513,972	\$ 4,875,774
Interest	- - - - -	138,296	92,558
Gain on foreign exchange	- - - - -	30,424	—
		<u>4,682,692</u>	<u>4,968,332</u>
Expenses:			
Management fees	- - - - -	285,380	251,928
Directors' fees (Note 3)	- - - - -	11,100	11,900
Miscellaneous	- - - - -	34,601	38,233
		<u>331,081</u>	<u>302,061</u>
Income before interest of minority shareholders	- - - - -	4,351,611	4,666,271
Interest of minority shareholders	- - - - -	578	201
Net income for the year	- - - - -	<u>\$ 4,351,033</u>	<u>\$ 4,666,070</u>
Net income for the year per common share	- - - - -	<u>\$ 1.13</u>	<u>\$ 1.21</u>

C A N A D I A N G E N E R A L

Consolidated Statement of Retained Earnings

	Year ended December 31	
	1976	1975
Balance at beginning of year - - - - -	\$ 29,959,158	\$ 26,639,816
Add:		
Net income for the year - - - - -	4,351,033	4,666,070
Gain on investments sold or redeemed, less minority interest of \$1,554 and income taxes of \$146,205 (Note 4 (iv)) - - - - -	3,860,227	3,112,038
	38,170,418	34,417,924
Less: Dividends paid on common shares - - - - -	4,035,952	4,458,766
Balance at end of year - - - - -	\$ 34,134,466	\$ 29,959,158
Dividends paid per common share - - - - -	\$ 1.05	\$ 1.16

Consolidated Statement of Unrealized Gain on Investments

	Year ended December 31	
	1976	1975
Increase (decrease) during the year - - - - -	\$ (6,600,670)	\$ 13,375,334
Deferred income taxes applicable thereto - - - - -	(286,444)	3,317,306
Interest of minority shareholders - - - - -	3,099	34,055
	(283,345)	3,351,361
	(6,884,015)	10,023,973
Balance at beginning of year - - - - -	60,169,645	50,145,672
Balance at end of year - - - - -	\$ 53,285,630	\$ 60,169,645

I N V E S T M E N T S L I M I T E D

Consolidated Statement of Changes in Net Assets

	Year ended December 31	
	1976	1975
Net assets at beginning of year - - - - -	\$114,152,328	\$100,809,013
Add:		
Net income for the year - - - - -	4,351,033	4,666,070
Gain on investments sold or redeemed, less minority interest and income taxes - - - - -	3,860,227	3,112,038
Increase in unrealized gain on investments- - - - -	—	10,023,973
	<u>122,363,588</u>	<u>118,611,094</u>
Less:		
Decrease in unrealized gain on investments - - - - -	6,884,015	—
Dividends paid - - - - -	4,035,952	4,458,766
	<u>10,919,967</u>	<u>4,458,766</u>
Net assets at end of year - - - - -	<u>\$111,443,621</u>	<u>\$114,152,328</u>
Gain on investments sold or redeemed:		
Cost of investments at beginning of year - - - - -	\$ 53,696,711	\$ 49,436,284
Add: Purchase of investments during year - - - - -	4,648,877	6,268,244
	<u>58,345,588</u>	<u>55,704,528</u>
Less: Cost of investments at end of year - - - - -	55,715,457	53,696,711
Cost of investments sold or redeemed during year - - - - -	2,630,131	2,007,817
Proceeds from sale or redemption of investments during year - - - - -	6,638,117	5,143,647
Gain on investments sold or redeemed before minority interest and income taxes - - - - -	4,007,986	3,135,830
Provision for income taxes - - - - -	146,205	19,933
Interest of minority shareholders- - - - -	1,554	3,859
	<u>147,759</u>	<u>23,792</u>
Gain on investments sold or redeemed - - - - -	<u>\$ 3,860,227</u>	<u>\$ 3,112,038</u>
Apparent liquidating value per common share:		
At beginning of year - - - - -	<u>\$ 29.70</u>	<u>\$ 26.23</u>
At end of year - - - - -	<u>\$ 28.99</u>	<u>\$ 29.70</u>

CANADIAN GENERAL INVESTMENTS LIMITED

Notes to Consolidated Financial Statements

DECEMBER 31, 1976

1. The consolidated financial statements include the accounts of the Company and its 90% owned subsidiary, C.G.I. and Third Venture Capital Limited.
2. The indicated market values of quoted securities are the result of pricing the Companies' holdings at the closing quoted market prices as at December 31. Such amounts do not necessarily represent the value of the total holding in any company which may be more or less than that indicated by market quotations. Securities not having a quoted market value have been included at values determined by the directors based principally on the underlying value of the assets represented by these securities.
3. No remuneration is paid by the Company to its "senior officers", as defined by the Business Corporations Act, 1970.
4. Taxation:

- (i) The Companies do not qualify as "investment corporations" as defined in Section 130 of the Canadian Income Tax Act; accordingly, they are subject to income tax as "public corporations." "Taxable dividends" received from "taxable Canadian corporations", as defined by the Act, are excluded from taxable income; one-half of gains on disposal of investments, to the extent that these have accrued since December 31, 1971, are subject to income tax at full corporate rates.
- (ii) Unrealized gain on investments includes approximately \$12,037,000 which has accrued since December 31, 1971. In addition, the parent company has received dividends of approximately \$2,360,000 since December 31, 1971 which were paid out of "tax paid undistributed surplus on hand" and "1971 capital surplus on hand" of the payor corporations and, therefore, must be applied to reduce the adjusted cost base of the investments in the payor corporations resulting in a corresponding increase in the gain which may ultimately be realized on these investments. A provision for deferred income taxes on these unrealized gains has been made in the accounts.
- (iii) As at December 31, 1976, the parent company estimates its tax surplus categories, as defined by the Income Tax Act and subject to confirmation by the Canadian taxation authorities, to be as follows:

	(a) Tax paid undistributed surplus on hand (Section 89(1)(k))	(b) 1971 capital surplus on hand
Balance at beginning of year - - - - -	\$ 1,506	\$16,764,931
Dividends received- - - - -	17,047	552,693
1971 capital surplus realized on investments sold or redeemed - - - -	—	2,813,883
Tax-deferred dividends on common shares - - - - -	(18,553)	(4,017,399)
Balance at end of year - - - - -	<u>\$ —</u>	<u>\$16,114,108</u>

Dividends paid out of both categories (a) and (b) are not required to be included in the shareholder's income but reduce the adjusted cost base of his investment for Canadian tax purposes.

- (iv) Gains realized on investments sold or redeemed during the year include taxable gains accrued since December 31, 1971. These taxable gains have been partly offset for income tax purposes by expenses of \$172,000 charged in the statement of income and by non-capital losses carried forward from prior years of \$65,000. In accordance with the accounting recommendations of the Canadian Institute of Chartered Accountants, income taxes of \$114,000 otherwise payable on the gains should have been charged to retained earnings. This practice has not been followed since it would give an unfair presentation of the net income for the year.
5. Anti-Inflation Programme:
The Company is subject to dividend restrictions imposed by the Federal Government in the Anti-Inflation Act effective October 14, 1975. Dividends paid since this date have been in compliance with the controls.

CANADIAN GENERAL INVESTMENTS LIMITED

Summary of Portfolio by Industry

	VALUE AS OF DEC. 31, 1976	PERCENT OF PORTFOLIO
Finance - - - - -	\$ 18,070,250	16.0
Industrial Management - -	15,172,427	13.5
Merchandising - - - -	12,317,250	10.9
Business Forms - - - -	10,255,000	9.2
Steel - - - - -	10,056,250	8.9
Investment Trust - - - -	9,617,000	8.5
U.S. Securities - - - - -	7,962,154	7.1
Metals - - - - -	7,602,500	6.8
Energy - - - - -	5,638,550	5.0
Beverages - - - - -	5,052,500	4.5
Manufacturing - - - -	4,399,000	3.9
Forest Products - - - -	2,081,250	1.8
Communications - - - -	1,824,000	1.6
Miscellaneous - - - - -	1,317,303	1.2
Venture Capital - - - -	923,025	.8
Real Estate - - - - -	332,500	.3
	<hr/> \$112,620,959	<hr/> 100.0

Summary of Changes in Portfolio

in 1976

Additions to Portfolio

Avco Corporation Debenture - - -	\$845,591
Canadian Tire Corporation Ltd. - -	32,400 shares
Halliburton Company - - - - -	4,000 shares
Joy Manufacturing Company - - -	10,000 shares
Massey-Ferguson Ltd. - - - - -	10,000 shares
Nowco Well Service - - - - -	15,600 shares
Tektronix Inc. - - - - -	5,000 shares

Deletions from Portfolio

Canada Packers Limited 'C' - - -	100,000 shares
Canadian Tire Corporation Ltd. 'A' -	32,400 shares
Imperial Oil Ltd. 'A' - - - - -	10,000 shares
Interprovincial Pipe Line Ltd. 'A' -	25,000 shares
Simpsons Limited - - - - -	20,000 shares
TransCanada PipeLines Ltd. - - -	27,600 shares
The Ravelston Corp. Ltd. Prefd. - -	22,624 shares
D. A. Stuart Oil Co. Ltd. - - - - -	29,698 shares

CANADIAN GENERAL INVESTMENTS LIMITED

Portfolio of Investments

AS AT DECEMBER 31, 1976

No. of Shares		Total Market Value \$	% of Portfolio	No. of Shares		Total Market Value \$	% of Portfolio
	Beverages	5,052,500	4.5		Finance	18,070,250	16.0
215,000	The Seagram Company Ltd. -	5,052,500			(A) BANKS - - - - -	2,141,250	
				15,000	Bank of Montreal - - - - -	213,750	
	Business Forms	10,255,000	9.2	40,000	Royal Bank of Canada - - -	1,050,000	
280,000	Moore Corporation Limited -	10,255,000		45,000	The Toronto-Dominion Bank -	877,500	
					(B) LIFE INSURANCE - - -	159,000	
	Communications	1,824,000	1.6	1,500	London Life Insurance Co. - -	159,000	
96,000	Southam Press Ltd. 'A' - - -	1,824,000			(C) TRUST COMPANY - - -	15,770,000	
				760,000	Canada Trustco Mortgage Company 'A' - - - - -	15,770,000	
	Energy	5,638,550	5.0				
	(A) OILS - - - - -	2,648,750			Forest Products	2,081,250	1.8
20,000	Hudson's Bay Oil & Gas Co. Ltd.	697,500		90,000	MacMillan Bloedel Ltd. - - -	2,081,250	
35,000	Imperial Oil Ltd. 'A' - - - -	770,000					
75,000	Shell Canada Ltd. 'A' - - - -	1,181,250			Industrial Management	15,172,427	13.5
	(B) PIPELINE - - - - -	350,000		730,000	Argus Corporation Ltd. Class 'C' Prefd. - - - - -	8,577,500	
25,000	Interprovincial Pipe Line Ltd. 'A'	350,000		28,729	The Ravelston Corp. Ltd. - -	3,017,407	
	(C) OTHER - - - - -	2,639,800		357,752	The Ravelston Corp. Ltd. Prefd.	3,577,520	
31,300	Kenting Limited - - - - -	500,800					
15,600	Nowsco Well Service Ltd. - -	282,750			Investment Trust	9,617,000	8.5
50,000	Rio Algom Ltd. - - - - -	1,387,500		652,000	Third Canadian General Investment Trust Limited -	9,617,000	
50,000	Union Gas Limited 'A' - - -	468,750					

Note: Argus Corporation Limited holds shares in the following companies: Dominion Stores Ltd., Domtar Limited, Hollinger Mines Ltd., Massey-Ferguson Ltd., and Standard Broadcasting Corp. Ltd.

CANADIAN GENERAL INVESTMENTS LIMITED

No. of Shares		Total Market Value \$	% of Portfolio	No. of Shares		Total Market Value \$	% of Portfolio
Merchandising				Steel			
		12,317,250	10.9			10,056,250	8.9
207,600	Canadian Tire Corporation Ltd. 'A' Prefd. - - - - -	8,926,800		225,000	The Algoma Steel Corp. Ltd. -	4,331,250	
32,400	Canadian Tire Corporation Ltd.	1,332,450		100,000	Dominion Foundries and Steel Ltd. 'A' - - - - -	2,600,000	
42,000	Cochrane-Dunlop Ltd. - - -	273,000		125,000	The Steel Co. of Canada Ltd. 'A'	3,125,000	
340,000	Simpsons Limited - - - -	1,785,000					
Manufacturing				Venture Capital			
		4,399,000	3.9			923,025	.8
35,000	Canadian General Electric Co. Ltd. - - - - -	805,000			(see page 12)		
220,500	Hayes Dana Ltd. 'A' - - - -	1,267,875		Miscellaneous			
80,000	Massey-Ferguson Ltd. - - -	1,730,000				1,317,303	1.2
19,000	Northern Telecom Ltd. - - -	596,125		80,000	Extendicare Ltd. - - - - -	530,000	
				90,000	Scott's Restaurants Co. Ltd. - -	697,500	
Metals				6,302	D. A. Stuart Oil Co. Ltd. - - -	89,803	
		7,602,500	6.8	U.S. Securities			
	(A) BASE METALS - - - -	3,262,500				7,962,154	7.1
90,000	Cominco Ltd. - - - - -	3,262,500		350,000	Avco Corporation - - - - -	4,722,445	
	(B) OTHER METALS AND MINERALS - - - - -	4,340,000		\$845,591	Avco Corp. 9% May 31, 2001 -	983,780	
100,000	Alcan Aluminium Ltd. - - -	2,375,000		22,000	Halliburton Company - - -	1,442,584	
60,000	Inco Limited "A" - - - - -	1,965,000		10,000	Joy Manufacturing Company -	469,092	
Real Estate				5,000	Tektronix Inc. - - - - -	344,253	
		332,500	.3				
35,000	Trizec Corporation Ltd. - - -	332,500					

C.G.I. AND THIRD VENTURE CAPITAL LIMITED

Authorized Capital—

10,000 6% non-cumulative, non-voting preference shares with a par value of \$100 each redeemable at the amount paid up thereon.

100,000 common shares without par value.

Issued and outstanding—

5,000 preference shares

100,000 common shares.

As at December 31, 1976 Canadian General Investments Limited held 4,500 preference shares and 90,000 common shares for a total investment of \$540,000. Third Canadian General Investment Trust Limited held 500 preference shares and 10,000 common shares for a total investment of \$60,000. There are no other shareholders.

Portfolio of Investments

AS AT DECEMBER 31, 1976

No. Shares		Class	Total Value
† 27,000	Applied Digital Data Systems - - - - -	Common	\$408,564
1,000	Gestalt Int'l. Ltd. (previously Hoborough Ltd.) - - - - -	Preferred	2,500
* 20,000	Helix Investments Ltd. - - - - -	Common	20,000
* 18,050	Helix Investments Ltd. - - - - -	Preferred	180,500
* 106,855	Hermes Electronics Ltd. - - - - -	Common	10,686
* 2,000	Hermes Electronics Ltd. - - - - -	Preferred	20,000
\$10,000	Ionarc Smelters 12% Series "C" April 30, 1977 - - - - -	Debenture	10,000
10,000	Ionarc Smelters Ltd. - - - - -	Common	1,200
** 6,000	Milgo Electronics Ltd. - - - - -	Common	124,839
133,333	Mitel Semi-Conductor Inc. - - - - -	Common	3,333
35,000	Spar Aerospace Products Ltd. - - - - -	Common	91,000
* 5,000	Venturetek International Limited - - - - -	Common	50,000
	Miscellaneous - - - - -		403
	Sub-total - - - - -		923,025
	Cash in bank and notes receivable - - - - -		52,562
			<u>\$975,587</u>

†U.S. Security—o/c NEW YORK

*Note: Securities not having a quoted market value have been included at values determined by the Directors based principally on the underlying value of the assets represented by these securities.

**U.S. Security—Listed NYSE

